

Message Text

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SUBJECT: WORKING GROUP ON S&T JOINT FINANCING

1. SUMMARY. FIRST MEETING OF WORKING GROUP ON JOINT FINANCING HELD IN WARSAW FEBRUARY 4-6 MADE CONSIDERABLE PROGRESS TOWARDS DEFINING CONCEPTUAL FRAMEWORK OF JOINT FINANCING ARRANGMENT FOR FUTURE S&T COOPERATION. BASIC AGREEMENT WAS REACHED THAT JOINT FINANCING ARRANGEMENT HIGHLY DESIRABLE TO INCREASE VOLUME OR EXTEND PERIOD OF COOPERATION UNDER LIMITATIONS IMPOSED ON PL-480 SPENDING FOR S&T PROJECTS. HOWEVER, SOME IMPORTANT DIFFERENCES EMERGED ON MEANS TO ACHIEVE THIS GOAL. POLES NOW STUDYING COMPROMISE US DRAFT TABLED FEBRUARY 6 AND PROMISE REPLY WITHIN THREE WEEKS. BOTH SIDES NOTED URGENCY OF ARRIVING AT CONCRETE RESULTS BEFORE KACZMAREK VISIT TO US, WHICH POLES NOW SAY IS TENTATIVELY SCHEDULED FOR EARLY MAY, 1974. END SUMMARY.

2. FOLLOWING IS RESUME DISCUSSIONS OF MAJOR FEATURES OF JOINT FINANCING:

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(A) CONTRIBUTION OF FUNDS. POLES EXPRESSED STRONG

PREFERENCE FOR COMBINED FUND, WITH BOTH SIDES MAKING EQUAL, ONE-TIME PAYMENTS TO NON-INTEREST-BEARING ACCOUNT. THEY PROFESSED NOT TO UNDERSTAND, INITIALLY AT LEAST, US POSITION THAT LEGAL REQUIREMENTS MAKE IT NECESSARY FOR US CONTRIBUTIONS TO BE ALLOCATED ANNUALLY BY INDIVIDUAL AGENCIES TO SPECIFIED RESEARCH PROJECTS AND THUS NOT CO-MINGLED WITH POLISH CONTRIBUTION IN A SINGLE, JOINT FUND; AND POINTED OUT THIS WOULD SEVERELY LIMIT DISCRETION OF JOINT BOARD IN SETTING PRIORITIES AND FIXING LEVELS OF SPENDING AMONG DISCIPLINES. IN RESPONSE, US SIDE PROPOSED THAT POLISH CONTRIBUTIONS COULD BE GIVEN WIDEST LATITUDE FOR DESIRED CHANGES IN PROGRAM EMPHASIS. POLES STATED THIS WAS STEP IN RIGHT DIRECTION; HOWEVER, EVEN MORE FLEXIBILITY WOULD BE NEEDED. UNDERLYING POINT OF CONTENTION OF DISCUSSION THIS TOPIC IS WELL-KNOWN DESIRE OF MINISTRY OF SCIENCE TO MOVE S&T COOPERATION INTO APPLIED TECHNOLOGY AREAS, CONTRASTED WITH CONCERN OF US AGENCIES THAT ON-GOING PROJECTS NOT BE DISADVANTAGED.

(B) SIZE AND DURATION OF JOINTLY-FINANCED PROGRAM. AFTER INITIALLY EXPRESSING HOPE THAT TOTAL SIZE OF PROGRAM WOULD BE \$90 MILLION, POLES BECAME RECONCILED THAT US PREPARED TO CONTRIBUTE ONLY APPROXIMATELY \$20 MILLION STARTING FY 75. POLES TOOK POSITION THAT PRESENT LEVEL OF OBLIGATIONS (I.E., \$10 MILLION PER YEAR) SHOULD BE MAINTAINED OVER NEXT FOUR YEARS, WHILE US SIDE GENERALLY PREFERRED GRADUAL REDUCTION OF SPENDING WITH PHASE-OUT OVER LONGER PERIOD.

(C) TRAVEL. BOTH SIDES TENTATIVELY AGREED THAT PAYMENTS FOR INTERNATIONAL TRAVEL AND TRAVEL-RELATED COSTS UNDER JOINT FINANCING ARRANGEMENT SHOULD CONTINUE UNDER PROCEDURES DEFINED IN THE OCTOBER, 1972 STOESEL-KRZAK AGREEMENT.

(D) JOINT BOARD. BOTH SIDES RECOGNIZED THAT A DETAILED DISCUSSION OF THE COMPOSITION AND POWERS OF THE JOINT BOARD WOULD NOT BE PRODUCTIVE UNTIL BASIC ISSUE OF MEANS OF FINANCING IS RESOLVED. POLES STATED THAT LIMITED OFFICIAL USE

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DEFINING POWERS OF THE JOINT BOARD IS A QUESTION OF FUNDAMENTAL IMPORTANCE THAT SHOULD BE DISCUSSED AND DECIDED BY DR. STEVER AND MINISTER KACZMAREK DURING THE LATTER'S VISIT TO THE U.S. AT PRESENT, ALTHOUGH IT SEEMS THE POLES DO NOT YET HAVE AN AGREED POSITION OF THEIR OWN ON THIS QUESTION, THEY APPEAR TO BE LEANING TOWARDS A BOARD THAT WOULD HAVE WIDE DISCRETION IN SETTING OVERALL PRIORITIES AND LEVELS OF SPENDING, ALTHOUGH NOT

NECESSARILY HAVING APPROVING AUTHORITY OVER INDIVIDUAL PROJECTS.

(E) LONG-RANGE FINANCING. POLES EXPRESSED STRONG DESIRE FOR CONTINUED COOPERATION WITH US AFTER PL-480 FUNDS FOR S&T HAVE BEEN EXHAUSTED. US SIDE WAS NOT ANGUINE ABOUT POSSIBILITY OF OBTAINING DOLLARS FOR COOPERATION, POINTING OUT THAT POLAND WOULD BE FACING STIFF COMEPTITION FROM US DOMESTIC AND OTHER FOREIGN COMMITMENTS FOR INCREASINGLY SCARCE S&T DOLLARS. POLES TOOK VIEW THAT CONTINUATION OF A JOINTLY-FINANCED PROGRAM AT PRESENT LEVELS FOR THE NEXT FOUR YEARS WOULD BUY SOME TIME TO WORK OUT ALTERNATIVE COOPERATIVE ARRANGEMENTS. IT WAS NOTED THAT EXCELLENT COOPERATIVE RELATIONSHIPS BETWEEN A NUMBER OF US AND POLISH RESEARCH INSTITUTIONS HAVE DEVELOPED OVER PAST YEARS AND THAT SEVERAL PROJECTS COULD POSSIBLY NOW BE CONTINUED ON A DOLLAR BASIS. UNFORTUNATELY, THE NUMBER OF SUCH PROJECTS IS SAMLL RELATIVE TO THE SIZE OF THE PRESENT COOPERATION PROGRAM.

2. POLISH SIDE SAID IT WOULD DRAW UP REVISED PROPOSALS DESIGNED TO PERMIT POLAND TO PARTICIPATE EQUALLY IN FINANCING COOPERATIVE RESEARCH SO THAT TOTAL VOLUME OF WORK WILL NOT DECLINE OVER NEXT FEW YEARS. PROPOSALS ARE TO BE PRESENTED TO EMBASSY WITHIN NEXT FEW WEEKS FOR TRANSMITTAL TO WASHINGTON. U.S. SIDE AGREED TO STUDY PROPOSALS, AND SAID WE LOOKED FORWARD TO SECOND WORKING GROUP SESSION IN WASHINGTON IN NEAR FUTURE.
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